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SUBJECT: RUSSIA-EU SUMMIT PREVIEW: PCA AND EFFORTS TO FIND  
A POSITIVE AGENDA

REF: MOSCOW 1329

Classified By: Political M/C Alice G. Wells. Reasons 1.4(b) and (d).

**¶11. (C) Summary.** Russian officials believe the long haggling within the EU over the mandate for a new Partnership and Cooperation Agreement (PCA) has eroded the credibility of the process, and hold out the option of reverting to a framework closer to the U.S.-EU agenda if negotiations fail. EU officials share the view that there will be a protracted, contentious negotiation on the PCA, with it difficult to find a positive agenda with Russia for the upcoming Russia-EU Summit in Khanty-Mansiysk on June 26-27. Problems with Russia's accession to the World Trade Organization (WTO) also could complicate efforts to conclude the PCA's economic and energy provisions. EU Commission and MFA officials agree that Georgia, NATO expansion and Kosovo top the list of foreign policy irritants at the Summit, with agriculture, energy, and visas continuing topics. The remote location and end to the electoral season make it less likely that the Summit will be targeted for human rights protests. End summary.

New PCA Long and Contentious Slog

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**¶12. (C)** Following the ping-pong reports that Lithuania had several times lifted, then reimposed its objections to concluding a mandate for a new PCA negotiation (reftel), MFA Deputy Director for European Cooperation Mikhail Yevdokimov told us May 21 that "the real headache" would begin with the expected EU approval of a new mandate at the May 26-27 GAERC.

The problem, Yevdokimov argued, was that when it was initially decided in 2006 to seek a new PCA, all parties agreed it should be a short, legally-binding agreement highlighting areas of cooperation, allowing separate, more detailed structural agreements to be reached on specific issues such as energy relations. As the EU worked on the mandate, Yevdokimov commented, member states began insisting on having "pet projects" or particular problems included in the main agreement. Russia was concerned that the drawn-out haggling in the EU, and the insistence on covering what FM Lavrov had stressed several times were purely bilateral issues in the agreement, had eroded the credibility of the process and would make it much more difficult to adopt a legally-binding text. Yevdokimov reiterated Lavrov's position that Russia could not be more interested in the PCA than the EU, and said he was "realistically pessimistic" that after several years of unfruitful negotiations, the two parties would finally decide to adopt a framework closer to the U.S.-EU Transatlantic Agenda.

**¶13. (C)** EU Commission officials concurred that negotiations would be difficult, but noted that the EU had not yet agreed on whether to have a more comprehensive and ambitious agreement. They said that Russian officials, particularly in the MFA, who wanted a weaker agreement had gained strength because of the EU's loss of credibility in the mandate process. EU disunity, Commission officials acknowledged, reinforced the Russian impulse to negotiate bilaterally,

including on the critical issue of energy security.

#### WTO Membership Crucial

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¶4. (C) Both Yevdokimov and EU Commission officials stressed that the economic and trade elements of a new PCA assumed Russian membership in the WTO. (Note: Approximately two-thirds of the existing PCA would be rendered obsolete by Russia's accession.) However, Commission officials are concerned that Russian interest in joining the WTO may be waning, including among industry leaders. Local press on May 27 reported that Russia's chief WTO negotiator had backed away from offering a concrete timeline for Russia's entry, citing disagreements over farm subsidies, export taxes on wood, and rules on Russia's state monopolies such as Gazprom.

Additionally, tensions with Georgia over Abkhazia and with Ukraine over NATO enlargement and the status of the Black Sea fleet at Sevastopol could lead to those countries blocking or delaying entry for Russia.

#### Outstanding Issues

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¶5. (C) Commission and MFA officials, along with European diplomats, tell us that framing a "positive agenda" for the Russia-EU Summit in June is difficult. Yevdomikov said there were no specific deliverables for the Summit, beyond the agreement to begin PCA negotiations, noting it was difficult to find deliverables every six months. Thus, Russia was trying to persuade the EU to hold the Summits only once a year, and to hold a Prime Minister-Commission meeting during

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the other six-month Presidency. He confirmed that both Medvedev and Putin would attend the Summit, noting it was usual for both the President and the PM to participate. While EU External Relations Commissioner Benita Ferrero-Waldner will visit Moscow in two weeks to prepare for the Summit, Commission officials noted that disputes over Georgia-Abkhazia, Kosovo (EULEX mission), NATO expansion, and U.S. missile defense plans complicated the agenda.

¶6. (C) Yevdokimov said some of the issues that could be discussed at the Summit included:

-- Georgia/Ukraine and NATO Expansion: Even prior to UNOMIG's report labeling Russia the aggressor in shooting down a Georgian UAV drone, Yevdomikov placed the cluster of issues related to Georgia, Ukraine and NATO expansion at the top of the Summit's foreign policy agenda.

-- Kosovo: Pointing to on-going debates over the changeover from UNMIK to the EULEX mission, Yevdokimov said that Russia could accept a reinforced EU mission, provided it was within the UN framework and had concurrence of the Serbs.

-- European Economic situation: Russia was concerned over predictions of lower growth in Europe, with Yevdokimov labeling the GOR's 51 percent of its trade with the EU a potential "vulnerability." Stressing that it was dangerous to have so much invested with one partner, Yevdokimov said that Russia would focus on equity in its trade relationship, citing the EU's ten-fold higher investments in Russia as proof of barriers to Russian investment in Europe.

-- Agriculture: Russia was concerned, Yevdokimov said, over increasing food prices, and believed EU agricultural subsidies were adding to the problem and hurting Russia's agricultural sector.

-- Visas: This was an important issue for both Russian business and public opinion, Yevdokimov said, with the difficulty in securing a Schengen visa leading to a less positive view of Europe among Russians. While the Schengen agreement was good in principle, most Russians only wanted to

go to one country. Russia would continue to argue for an incremental expansion of a visa free regime for Russian travelers, noting that the decision to start first with diplomats was a "mistake," and had increased Russian public resentment. Yevdokimov acknowledged that the MFA's desire to ease visa regimes was at cross-purposes with the Russian security services, but pointed to the visa-free travel of some 42,000 English fans to attend the May 21 European Champions League Football (soccer) final as a victory in pushing for greater flexibility. Putin had instructed that an amendment be passed enabling the soccer spectators to travel without visas, with the MFA and Duma International Relations staff conspiring to widen the amendment to include attendees of any designated international (including sports and cultural) event the right to enter the country using their ticket as a visa. With the Kremlin's imprimatur, the law was drafted over a holiday weekend and passed in one day, in time for the May 21 final, with English fans being given three-day visas upon arrival with their match ticket.

-- Missile Defense: Russia continues to push the EU to engage on U.S. missile defense plans in Poland and the Czech Republic, with Yevdokimov questioning how the EU could label it a bilateral issue, even as they endorsed it in a NATO context.

-- Chad. Yevdokimov said Russia viewed this as an important step in Russia-EU military cooperation, even though the effort to agree on Russian provision of helicopters in response to Sarkozy's request had been logistically frustrating. To send the four helicopters, Russia required a written agreement in order to get the necessary Parliamentary approval to send troops abroad. This process usually took several months, and the EU was not providing the necessary paperwork in a timely fashion. Yevdokimov said Russia hoped the EU would be able to amend its requirements to allow for a Russian-led, EU-supported operation in the future.

¶7. (C) Human rights: Commission officials expect Russia's democratic track record to be up for discussion, but -- in contrast to the heavy-handed Russian suppression of last year's Other Russia demonstration -- believe the Summit's isolated locale and lack of electoral campaigning will reduce both the public profile of the issue and the prospect of opposition demonstrations.

Looking to the French EU Presidency

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¶8. (C) Yevdokimov told us that FM Kouchner, who had not visited Moscow since before Sarkozy's October trip, had used his May 21 consultations in Moscow to discuss France's priorities for its upcoming EU Presidency. Kouchner had highlighted environment, ecology, immigration and agriculture, with Lavrov emphasizing agriculture and visa issues; while Russian-EU relations were discussed, France's agenda will not have a Russian-specific focus. Yevdokimov confirmed that Putin would travel to Paris on May 29, as part of Russia's normal economic engagement with France. Sarkozy had invited Putin before the elections, and while the visit would focus on economics and investments, Putin would also see Sarkozy.

Comment

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¶9. (C) Although Russia is interested in strengthening and expanding its ties with Europe, and sees a new PCA as one mechanism for doing so, Russia finds doing business with "the EU" laborious and is approaching the negotiations with a fatalistic attitude. As long as rapidly expanding trade and energy ties continue to undergird Russia's most important European relations, the PCA will fall into the "nice, but not necessary" category. Russia remains confident that it can

continue to pursue its most pressing goals with individual EU members on a bilateral basis.

RUSSELL